

Senate, March 23, 1998. The Committee on Banks reported through SEN. FONFARA, 1st DIST., Chairman of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING COMMUNITY BANKS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Subsection (r) of section 36a-70 of the
2 general statutes, as amended by section 3 of
3 public act 97-209, is repealed and the following
4 is substituted in lieu thereof:

5 (r) (1) As used in this subsection and
6 section 4 of [this act] PUBLIC ACT 97-209,
7 "community bank" means a Connecticut bank that is
8 organized pursuant to this subsection and is
9 subject to the provisions of this subsection and
10 section 4 of [this act] PUBLIC ACT 97-209.

11 (2) One or more persons may organize a
12 community bank in accordance with the provisions
13 of this section, except that subsection (g) of
14 this section shall not apply. Any such community
15 bank shall commence business with a minimum equity
16 capital of at least [three] TWO million FIVE
17 HUNDRED THOUSAND dollars. In the case of a capital
18 stock community bank, no person, whether acting
19 individually or in concert with others, shall
20 subscribe for, purchase or otherwise acquire, by
21 merger, acquisition or otherwise, in excess of
22 nine and nine-tenths per cent of the capital stock
23 of the bank. The approving authority for a
24 community bank shall be the commissioner acting

25 alone. In addition to the considerations and
26 determinations required by subsection (h) of this
27 section, before granting a temporary certificate
28 of authority to organize a community bank, the
29 approving authority shall determine that (A) each
30 of the proposed directors and proposed executive
31 officers, as defined in subparagraph (D) of
32 subdivision (3) of this subsection, possesses
33 capacity and fitness for the duties and
34 responsibilities with which such director or
35 officer will be charged and (B) there is
36 satisfactory community support for the proposed
37 community bank based on evidence of such support
38 provided by the organizers to the approving
39 authority. If the approving authority cannot make
40 such determination with respect to any such
41 proposed director or proposed executive officer,
42 the approving authority may refuse to allow such
43 proposed director or proposed executive officer to
44 serve in such capacity in the proposed community
45 bank.

46 (3) A community bank shall have all of the
47 powers of and be subject to all of the
48 requirements and limitations applicable to a
49 Connecticut bank under this title which are not
50 inconsistent with this subsection, except: (A) No
51 community bank may (i) exercise any of the
52 fiduciary powers granted to Connecticut banks by
53 law until express authority therefor has been
54 given by the approving authority, (ii) establish
55 and maintain one or more mutual funds, (iii)
56 invest in derivative securities other than
57 mortgage backed securities fully guaranteed by
58 governmental agencies or government sponsored
59 agencies, (iv) own any real estate for the present
60 or future use of the bank unless the approving
61 authority finds, based on an independently
62 prepared analysis of costs and benefits, that it
63 would be less costly to the bank to own instead of
64 lease such real estate, or (v) make mortgage loans
65 secured by nonresidential real estate the
66 aggregate amount of which, at the time of
67 origination, exceeds ten per cent of all assets of
68 such bank; (B) the aggregate amount of all loans
69 made by a community bank shall not exceed eighty
70 per cent of the total deposits held by such bank;
71 (C) (i) the total direct or indirect liabilities
72 of any one obligor, whether or not fully secured

73 and however incurred, to any community bank,
74 exclusive of such bank's investment in the
75 investment securities of such obligor, shall not
76 exceed at the time incurred ten per cent of the
77 equity capital and reserves for loan and lease
78 losses of such bank, and (ii) the limitations set
79 forth in subsection (a) of section 36a-262 shall
80 apply to this subparagraph; and (D) the
81 limitations set forth in subsection (a) of section
82 36a-263 shall apply to all community banks,
83 provided, a community bank may (i) make a mortgage
84 loan to any director or executive officer secured
85 by premises occupied or to be occupied by such
86 director or officer as a primary residence, (ii)
87 make an educational loan to any director or
88 executive officer for the education of any child
89 of such director or executive officer, and (iii)
90 extend credit to any director or executive officer
91 in an amount not exceeding ten thousand dollars
92 for extensions of credit not otherwise
93 specifically authorized in this subparagraph. The
94 aggregate amount of all loans or extensions of
95 credit made by a community bank pursuant to this
96 subparagraph shall not exceed thirty-three and
97 one-third per cent of the equity capital and
98 reserves for loan and lease losses of such bank.
99 As used in this subparagraph, "executive officer"
100 means every officer of a community bank who
101 participates or has authority to participate,
102 other than in the capacity of a director, in major
103 policy-making functions of the bank, regardless of
104 whether such officer has an official title or
105 whether such officer serves without salary or
106 other compensation. The vice president, chief
107 financial officer, secretary and treasurer of a
108 community bank are presumed to be executive
109 officers unless, by resolution of the governing
110 board or by the bank's bylaws, any such officer is
111 excluded from participation in major policy-making
112 functions, other than in the capacity of a
113 director of the bank, and such officer does not
114 actually participate in major policy-making
115 functions.

116 (4) The audit and examination requirements
117 set forth in section 36a-86 shall apply to each
118 community bank.

119 (5) Any organizers who filed an application
120 to organize a Connecticut bank under this section

121 prior to November 1, 1996, and have not been
122 issued or denied a final certificate of authority
123 under subsection (1) of this section, and who give
124 notice to the applicable approving authority
125 specified in subsection (h) of this section that
126 the proposed bank has raised equity capital in an
127 amount not less than [three] TWO million FIVE
128 HUNDRED THOUSAND dollars, may amend such
129 application to an application to organize a
130 community bank under this subsection. Such
131 organizers shall file (A) an amended certificate
132 of incorporation limiting the powers of the
133 proposed bank in accordance with this subsection,
134 (B) an amended proposed business plan, (C) an
135 amended feasibility study, (D) an amended
136 three-year financial forecast prepared by a
137 certified public accounting firm or other
138 professional firm approved by the commissioner,
139 and (E) evidence satisfactory to the approving
140 authority under this subsection that there is
141 community support for the proposed community bank.
142 Within twenty days after receipt of the amended
143 feasibility study, the commissioner may, at the
144 expense of the organizers, order an independent
145 feasibility study. The approving authority under
146 this subsection shall make the considerations and
147 determinations required by subdivision (2) of this
148 subsection. If the amended application is approved
149 by the approving authority under this subsection
150 and the organizers have given notice to said
151 approving authority that the requirements of
152 subsection (1) of this section have been met, a
153 final certificate of authority to commence
154 business as a community bank shall be issued by
155 the approving authority under this subsection.
156 (6) The commissioner may adopt regulations,
157 in accordance with chapter 54, to administer the
158 provisions of this subsection and section 4 of
159 [this act] PUBLIC ACT 97-209.

160 BA COMMITTEE VOTE: YEA 16 NAY 2 JF

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER SB 375

STATE IMPACT	Potential Increase Budgetary	Minimal (Banking Fund), Resources,	Workload Within see explanation below
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MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Banking

EXPLANATION OF ESTIMATES:

The bill reduces the minimum equity capital necessary for community banks to start business. The amount would be reduced from \$3,000,000 to \$2,500,000. It is expected that a small number of community banks would be created due to this change.

There would be a minimal workload increase for the Department of Banking as a result of the passage of this bill. It is expected that this minimal workload increase can be handled within the anticipated budgetary resources of the department.

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OLR BILL ANALYSIS

SB 375

AN ACT CONCERNING COMMUNITY BANKS

SUMMARY: The bill reduces the start-up capital required to open a community bank from \$3 million to \$2.5 million. PA 97-209 authorized state-chartered community banks, which have more limited powers and require less

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File No. 92

capital than regular banks.

EFFECTIVE DATE: October 1, 1998

COMMITTEE ACTION

Banks Committee

Joint Favorable Report
Yea 16 Nay 2